Week 2 - Globalization, International Business, MNCs (03/08/2015) [module 1]

Lecture:

- Globalization (international trade) - increasing integration or interdependence of cultures, economies, countries, companies, and people around the world
- Age of Globalization
    - FDI - Foreign Direct Investment are attracted in the age of globalization
    - value of world exports are increased
    - firms without international goals may find their domestic markets under threat from foreign competition
    - MNCs (drivers of globalization)
    - World is flatter/ smaller (Global village) - increase in integration and exchange of cultures and finance
- GDP - Gross Domestic Product (overall wealth)
- Implications of Globalization
    - 4 Major Implications:
        - More choices/ options
        - Lower prices
        - Blurred national identity for products and services (Country Of Origin - COO)
        - Career choices and progression (mixture advantage - mixture of different experiences and advantages gained from several countries due to globalization)
    - Example: Several car manufacturing companies are leaving Australia since the cost of production are higher than other countries therefore due to globalization, firms are outsourcing in countries (some countries some different expertise) that provide lower production cost
    - *Think Global, Act Local*
- The global top 20 countries (atkearney)
    - Economic Integration - trade, FDI and capital flows, and income payments and receipts
    - Personal contact - international travel and tourism, international telephone traffic and cross-baroder transfers
    - Technology - number of Internet users, Internet hosts and secure servers
    - Political engagement - number of members in IOs such as UN
- Drivers of Globalization
    - Economic drivers -
    - Technological drivers - (before 1997 there were no e-commerce) nowadays, Internet is a prime factor driving globalization
    - Political drivers -
    - Cultural drivers - global customers (customers who like same things and same products) [one key difference in globalization]
- Globalization: For & Against
    - Allegedly at the cost of poorer nations (globalization is good for developed countries at the cost of developing countries)
    - Higher among the G-7, but some are low on globalization (e.g. Japan)
    - Some emerging economics (Czech Republic) are quite high
    - Developing countries exceeded the global average in global trade
    - How can we allocate a fair game of globalization in order to provide benefits to all countries
    - Common complaint that globalization hurts the environment
    - Argued that firms relocate to escape tough pollution rules at home
    - Many firms adhere to strict codes of environmental protection, and engage in cleanup of locations
    - Environment is just one factor in location decision
    - Carries promises and threats at the national, regional, organizational and individual level
    - Makes less regulated, emerging economies vulnerable to volatilities (get involved but regulate)
    - Exposes national economies to the uncertainties of the global economy

    - Generally speaking, globalization could offer advantages to participating economies
- 3 Cs to succeed - (C: Comfort; C: Confidence; C: Competence)
- Attitudes towards globalization:
    - Openness (having global perspective)
    - Flexibility (be able to adapt to change)
    - Acceptance (welcome different cultures and take advantage of it)
    - Interdependence (growing integration and interdependence)
- Globalization infrastructure
    - Institutional frameworks and market efficiency that support fair and transparent transactions of products or services
    - Streamlines flows of commodities, capital, labor, knowledge, and information
- Globalization and International Business
    - Globalization does not mean the advance of a homogenous civilization and uniform business system
    - Growing interaction makes people more aware of the differences among them
    - Semi-globalization (?)
- What is International Business (IB) ?
    - The business activities that involve the transfer of resources, goods, services knowledge, skills or information across national boundaries. •
    - May involve
        - Individuals
        - Companies
        - Government bodies
        - International institutions
- International Business VS Domestic Business
    - International business is the outgrowth of domestic business.
    - Most major corporations started their operations in the domestic market.
    - *International entrepreneurs* — Individuals or companies that invest and operate in another country without a home base
    - Significantly different due to differences in:
        - **Environmental Dynamics**
            - Currency, inflation, interest rates, accounting practices, cultures, social customs, laws, political stability
        - **Operational Nature**
            - Communication, coordination, motivation, differences in organizational principles and management philosophies
- Why do firms expand internationally?
    - Firms expand internationally for various motives:
        - Market motives
            - Offensive motive – seize market opportunities in foreign countries through trade or investment.
            - Defensive motive – to protect and hold a firm’s market power or position in the face of threats from domestic rivalry or changes in government policy.
            - Amway gains market position in China. Honda protects market share by building cars in the USA.
                - Red Ocean Strategy - beat the competitors and achieve the market demand
                - Blue Ocean Strategy - create new strategy that theres no new competitors
        - Economic motives
            - Increase return through higher revenues and/or lower costs.
            - Enables the company to benefit from the differences in:
                - Costs of labors
                - Natural resources
                - Capital
                - Differences in regulatory treatment
            - Scania moves production to Mexico to lower costs. Michelin improves by building tires in Canada.